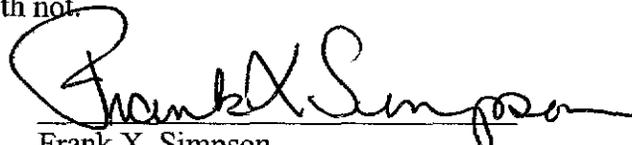


COMMONWEALTH OF PENNSYLVANIA)
)
COUNTY OF MONTGOMERY)

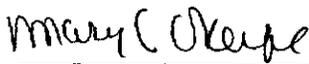
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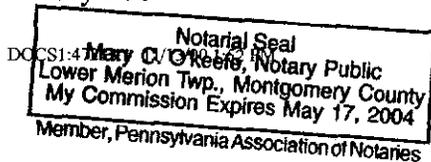
I, Frank X. Simpson, first being duly sworn upon oath depose and say that I am employed by Consumers Water Company, as Vice President – Rates; that I have read the attached and foregoing Surrebuttal Testimony of Frank X. Simpson in Docket Nos. 00-0337, 00-0338 and 00-0339 (consolidated), which is identified as CIWC Exhibit 6.0SR; as well as CIWC Exhibits 6.1SR through 6.2SR that these documents were prepared by me or under my supervision and I know the contents thereof; that said contents are true in substance and in fact; and that CIWC Exhibit 6.0SR through 6.2SR are the testimony and exhibits I wish to give in this proceeding.

Further affiant sayeth not.


Frank X. Simpson.

Subscribed and Sworn
to before me this
15th day of November, 2000.


Notary Public



OFFICIAL FILE

I.C.C. DOCKET NO. 00-0337-0339
CIWC Exhibit No. 6.0SR, 6.1SR, 6.2SR
Witness Simpson
Date 11/17/00 Reporter Joe

BEFORE THE ILLINOIS COMMERCE COMMISSION

SURREBUTTAL TESTIMONY

Of

FRANK X. SIMPSON

ON BEHALF OF

CONSUMERS ILLINOIS WATER COMPANY

DOCKET NOS. 00-0337, 00-0338, 00-0339

Consolidated

November 6, 2000

1 WITNESS IDENTIFICATION AND BACKGROUND

2

3 **Q. Please state your name and business address.**

4 A. Frank X. Simpson, 762 Lancaster Avenue, Bryn Mawr, Pennsylvania.

5 **Q. Have you previously submitted testimony in this proceeding?**

6 A. Yes. I sponsored CIWC Exhibit 6.0 and certain of the A, B, C, D and H
7 Schedules of the Standard Information Requirements set forth in CIWC
8 Exhibits 11.0, 12.0 and 13.0 for the Kankakee, Vermilion and Woodhaven
9 Water Divisions, respectively.

10 **Q. What is the purpose of your surrebuttal testimony?**

11 A. The purpose of my surrebuttal testimony is to respond to specific portions of the
12 rebuttal testimony presented by Staff of the Illinois Commerce Commission. I will
13 respond to ICC Staff Exhibit 8.00 (Dianna L. Hathorn), ICC Staff Exhibit 9.00
14 (Steven R. Knepler), and ICC Staff Exhibit 10.00 (Mike Luth).

15 **RESPONSE TO STAFF TESTIMONY**

16 **Q. Please outline the areas of Staff rebuttal testimony to which you will**
17 **respond.**

18 A. I will respond to adjustments in the following areas:

- 19 I. Depreciation – Exhibit 8.00, Schedules 8.09K, 8.09V and 8.09W
20 II. Labor, Omitted Employee – Exhibit 9.00, Schedules 9.01K
21 III. Rate Case Expense/Amortization – Exhibit 2.00, Schedules 2.03K,
22 2.03V and 2.03W
23 IV. Allocation of Corporate and Vermilion Remittance Center – Exhibit 10.0,
24 Schedule 10.01
25 V. Accumulated Deferred Income Taxes – Exhibit 10.0, Schedule 10.03
26 VI. Service Company Billings – Exhibit 10.0, Schedule 10.02

1 **Depreciation**

2 **Q. Do you agree with Ms. Hathhorn's depreciation expense adjustments**
3 **shown on ICC Staff Exhibit 8.00, Schedule 8.09?**

4 A. I agree with her adjustment in the amount of \$190,589, \$206,212 and \$17,676
5 for Kankakee, Vermilion and Woodhaven, respectively.

6 **Labor for Omitted Kankakee Employee**

7 **Q. Do you agree with Ms. Knepler's that the omitted employee was a result**
8 **of a Company update?**

9 A. No, I do not. I believe the inclusion of the omitted employee was a result of
10 Staff's data request WH/K-008. This omission was discovered in the process of
11 responding to the data request, and was not put forth by the Company as an
12 update. However, the Company agrees with Mr. Knepler's final decision to
13 include the employee for Kankakee.

14 **Rate Case Expense/Amortization**

15 **Q. Have you reviewed Mr. Knepler's recommended rate case expense**
16 **amortization periods for Kankakee, Vermilion and Woodhaven?**

17 A. Yes.

18 **Q. Does the Company agree with his recommended amortization periods?**

19 A. The Company is willing to accept Mr. Knepler's amortization periods of 3 years
20 for Kankakee and Vermilion and 4 years for Woodhaven.

21 **Q. Does the Company agree with Mr. Knepler's disallowance of \$81,922 of rate**
22 **case expense incurred in Docket No. 99-0288?**

23 A. No, I do not. My position remains the same as presented in my Rebuttal
24 Testimony of September 29, 2000.

25 **Allocation of Corporate and Vermilion Remittance Center**

1 Q. Do you accept Mr. Luth's allocation of Corporate and Vermilion Remittance
2 Center?

3 A. Yes, I do.

4 Accumulated Deferred Income Taxes

5 Q. Do you agree with Mr. Luth's adjustment on Schedule 10.03 to reflect his
6 portion of the adjustment to accumulated deferred income taxes based
7 upon the allocation of Candlewick Sewer Division?

8 A. Yes, I do.

9 Service Company Billings

10 Q. Please explain Mr. Luth's proposed adjustment to Service Company
11 Billings as presented in ICC Staff Exhibit 10.00, Schedule 10.02 for the
12 three Divisions.

13 A. Mr. Luth's methodology is consistent with his original Testimony submitted in
14 ICC Staff Exhibit 3.00 with the exception of changing a few percentages.

15 Q. Please comment on Mr. Luth's inclusion of Candlewick Sewer in the base
16 for allocating service company billings.

17 A. I agree with Mr. Luth that Candlewick Sewer should be included in the base for
18 allocating service company expenses, and that the Service Company Billings
19 for the three Divisions in this proceeding should be adjusted to reflect such.

20 Q. After reduction of a portion of the Service Company Billings related to
21 Candlewick Sewer, do you agree with Mr. Luth's Service Company Billing
22 adjustment?

23 A. No, I do not. My position remains the same as presented in my Rebuttal
24 Testimony of September 29, 2000.

1 **Q. Is the Company willing to accept any of Mr. Luth's arguments put forth**
2 **in his Rebuttal Testimony?**

3 A. Yes. For purposes of settling this issue the Company is willing to accept Mr.
4 Luth's methodology as reflected on Exhibit 10.0, Schedule 10.02, page 1 of
5 7, if he is willing to eliminate Service Company Billings coming from the
6 Corporate office in Kankakee. The Company does not believe Mr. Luth
7 should include Intra-Company Billings in his calculation, it should just include
8 the charges from the Parent Company - CWC, PSW and PSC.

9 **Q. Has the Company provided Mr. Luth with the breakdown of Service**
10 **Company Billings depicting the charges coming from CWC, PSW and**
11 **PSC?**

12 A. Yes. The Company's response to ML-14 gives the breakdown of the total
13 Service Company Billings for the future test year. A copy of this response is
14 attached as Schedule 6.1-SR.

15 **Q. Have you recalculated Mr. Luth's Schedule 10.02, pages 2 of 7 and 3 of**
16 **7 to properly reflect the inclusion of Service Company Billings from**
17 **CWC, PSW and PSC only?**

18 A. Yes. Attached as Schedule 6.2-SR is a recalculation of Mr. Luth's schedules
19 excluding charges from Intra-State Billings.

20 **Q. What impact does this adjustment have on Mr. Luth's total adjustment**
21 **on Schedule 10.02, page 1 of 7?**

22 A. The proposed adjustment to Service Company Billings for Kankakee,
23 Vermilion and Woodhaven would be reduced from \$107,922, \$90,992 and
24 \$12,207 to \$82,727, \$67,411 and \$8,626, respectively.

1 Q. **Does this conclude your Surrebuttal testimony?**

2 A. Yes it does.

CONSUMERS ILLINOIS WATER COMPANY
STAFF DATA REQUESTS
DIVISION - ALL
DOCKET NOS. - 00-0337, 00-0338, 00-0339
DATE SUBMITTED: OCTOBER 16, 2000

RESPONSIBLE PERSON FOR RESPONSE:

FRANK X. SIMPSON, VICE PRESIDENT - RATES (610) 645-1136

RESPONSIBLE WITNESS:

FRANK X. SIMPSON

ML-14 DATA REQUEST:

Refers to Schedule C-4.1, account no. 634.

Projected 2001 Kankakee is \$1,019,210; projected 2001 Vermilion is \$852,416; and projected 2001 Woodhaven Water is \$113,124; for a total of \$1,984,750. Projected 2001 Total Company is \$1,351,571; or \$633,179 less than the total projected for Kankakee, Vermilion and Woodhaven Water.

Please explain why the three divisions under review in these dockets have projected Contractual Services billings that, when combined, total more than the projected Contractual Services for the total company (Consumers Illinois Water Company). Include a reconciliation, involving all other accounts and divisions, between the combined projected amounts for each Consumers Illinois Water Company division and the Total Company amount.

RESPONSE:

Divisional Account 634 as filed is comprised of three components: Parent (PSC / CWC) Corporate, CIWC Corporate and CIWC Customer Service. The test year 2001 amounts of these components reflected in the filing are as follows:

	<u>Kankakee</u>	<u>Vermilion</u>	<u>Woodhaven</u>
PSW/PSC & CWC.	\$554,357	\$440,761	\$54,380
CIWC - Corporate	517,750	411,655	50,789
CIWC - CS	<u>(52,897)</u>	<u>0</u>	<u>7,955</u>
Total Account 634	<u>\$1,019,210</u>	<u>\$852,416</u>	<u>\$113,124</u>

The reason Total Company is less than the total of Kankakee, Vermilion and Woodhaven as presented in the filing, is that the CIWC – Corporate Charges are eliminated within account 634 in the CIWC consolidation process. Therefore, in the above Total Account 634 of \$1,019,210 for Kankakee there are charges from CIWC-Corporate in the amount of \$517,750, however, this exact amount of \$517,750 is credited to Corporate's Account 634 in the CIWC consolidation process.

Total 2001 CIWC – Corporate Cost Center is allocated to the Divisions in Account 634 as follows:

	<u>Corporate</u>	
Kankakee	\$517,750	
Willowbrook Water	22,496	
Willowbrook Sewer	24,044	
University Park Water	39,125	
University Park Sewer	39,070	
Woodhaven Water	50,789	
Woodhaven Sewer	24,258	
Candlewick Water	45,906	
Tower Lakes Water	9,099	
Candlewick Sewer	47,307	
Oak Run Water	30,821	
Vermilion	411,655	
Other	(4,644)	
Total Allocated	<u>\$1,257,676</u>	
Corporate Elimination	<u>(\$1,257,676)</u>	_____
Net Corporate in Consolidated Account 634	<u>\$ 0</u>	

SCHEDULE 6.2-SR

Payroll-Related Service Company Billings:

	Kankakee	Vermilion	Woodhaven	Total
1999 CWC Billings to Illinois	0.77876	0.77876	0.77876	
Multiplied by: Adjusted test year projected Service Company billings	\$554,357	\$440,761	\$54,380	\$1,049,498
Test-year CWC Billings to Illinois	\$431,711	\$343,247	\$42,349	\$817,307
1999 Payroll-related CWC Billings to Illinois	0.66836	0.66836	0.66836	
Test Year Payroll-related CWC Billings to Illinois	\$288,538	\$229,413	\$28,304	\$546,255
1999 PSC and PSW Billings to Illinois	0.22124	0.22124	0.22124	
Multiplied by: Adjusted test year projected Service Company billings	\$554,357	\$440,761	\$54,380	\$1,049,498
Test-year PSC and PSW Billings to Illinois	\$122,646	\$97,514	\$12,031	\$232,191
1999 Payroll-related PSC and PSW Billings to Illinois	0.54173	0.54173	0.54173	
Test Year Payroll-related PSC and PSW Billings to Illinois	\$66,441	\$52,826	\$6,518	\$125,785
Combined CWC, PSC and PSW Payroll-related Billings to Illinois	\$354,979	\$282,239	\$34,822	\$672,040
Multiplied by: Payroll Adjustment Factor for Service Billings	-0.06171	-0.06171	-0.06171	
Adjustment to Payroll-related Service Company Billings	(\$21,906)	(\$17,417)	(\$2,149)	(\$41,472)

Sundry-Related Service Company Billings:

	Kankakee	Vermilion	Woodhaven	Total
1999 CWC Billings to Illinois	0.77876	0.77876	0.77876	
Multiplied by: Adjusted test year projected Service Company billings	\$554,357	\$440,761	\$54,380	\$1,049,498
Test-year CWC Billings to Illinois	\$431,711	\$343,247	\$42,349	\$817,307
1999 Sundry-related CWC Billings to Illinois	0.33164	0.33164	0.33164	
Test Year Sundry-related CWC Billings to Illinois	\$143,173	\$113,834	\$14,045	\$271,052
1999 PSC and PSW Billings to Illinois	0.22124	0.22124	0.22124	
Multiplied by: Adjusted test year projected Service Company billings	\$554,357	\$440,761	\$54,380	\$1,049,498
Test-year PSC and PSW Billings to Illinois	\$122,646	\$97,514	\$12,031	\$232,191
1999 Sundry-related PSC and PSW Billings to Illinois	0.45827	0.45827	0.45827	
Test Year Sundry-related PSC and PSW Billings to Illinois	\$56,205	\$44,688	\$5,513	\$106,406
Combined CWC, PSC and PSW Sundry-related Billings to Illinois	\$199,378	\$158,522	\$19,558	\$377,458
Multiplied by: Sundry Adjustment Factor for Service Billings	-0.13428	-0.13428	-0.13428	
Adjustment to Sundry-related Service Company Billings	(\$26,772)	(\$21,286)	(\$2,626)	(\$50,685)